May 2023

AI, the latest craze to capture the imagination of Wall Street, sent a handful of stocks led by Nvidia sharply higher during the month, while most investors were focused on political dysfunction, and the Fed. From Bespoke:

May and YTD 2023 Asset Class Performance

Thu, Jun 1, 2023

May 2023 is now behind us, and below is a look at how various asset classes performed during the month using

Asset Class Performance May, YTD, and YoY - Total Return (%)

US Related

ETF	Description	May	YTD	YoY
SPY	S&P 500	0.46	9.68	2.92
DIA	Dow 30	-3.17	0.24	1.82
QQQ	Nasdaq 100	7.88	30.89	13.75
IJH	S&P Midcap 400	-3.22	-0.29	-2.66
IJR	S&P Smallcap 600	-1.67	-1.99	-7.27
IWB	Russell 1000	0.47	9.22	2.32
IWM	Russell 2000	-0.82	0.03	-4.70
IWV	Russell 3000	0.43	8.69	1.95
IVW	S&P 500 Growth	2.53	13.99	1.84
IJK	Midcap 400 Growth	-2.83	1.50	-1.48
IJT	Smallcap 600 Growth	0.19	-0.84	-5.98
IVE	S&P 500 Value	-1.87	4.93	2.90
IJJ	Midcap 400 Value	-3.69	-2.32	-4.12
IJS	Smallcap 600 Value	-3.66	-3.26	-8.86
DVY	DJ Dividend	-7.73	-9.22	-13.51
RSP	S&P 500 Equalweight	-3.81	-0.67	-4.47
FXB	British Pound	-0.85	3.95	0.03
FXE	Euro	-2.93	0.26	-0.28
FXY	Yen	-2.25	-6.03	-8.13
XLY	Cons Disc	2.54	17.74	-0.90
XLP	Cons Stap	-6.16	-2.06	0.11
XLE	Energy	-10.03	-11.54	-8.41
XLF	Financials	-4.25	-6.68	-8.51
XLV	Health Care	-4.27	-5.54	-1.76
XLI	Industrials	-3.15	-0.99	4.11
XLB	Materials	-6.87	-3.01	-10.76
XLRE	Real Estate	-4.53	-1.72	-15.56
XLK	Technology	8.92	32.31	18.15
XLC	Comm Services	3.91	30.05	4.43
XLU	Utilities	-5.87	-7.23	-9.99

Past performance is no guarantee of future results.

Global

ETF	Description	May	YTD	YoY
EWA	Australia	-5.49	-1.62	-6.82
EWZ	Brazil	1.95	3.04	-7.81
EWC	Canada	-5.51	1.62	-10.13
MCHI	China	-9.39	-8.97	-14.78
EWQ	France	-6.49	11.71	11.45
EWG	Germany	-4.86	13.14	5.58
EWH	Hong Kong	-9.03	-9.80	-12.09
PIN	India	1.65	2.44	2.91
EWI	Italy	-6.25	10.17	7.70
EWJ	Japan	0.85	9.00	4.26
EWW	Mexico	-1.69	21.03	19.09
EWP	Spain	-5.43	11.75	6.07
EIS	Israel	-3.05	-6.27	-18.48
EWU	UK	-5.98	4.04	-0.60
EFA	EAFE	-4.01	7.66	3.63
EEM	Emerging Mkts	-2.40	0.77	-8.29
IOO	Global 100	0.22	13.90	5.71
BKF	BIC	-4.50	-4.91	-9.18
CWI	All World ex US	-3.51	5.11	-0.56
DBC	Commodities	-6.41	-10.55	-22.98
DBA	Agric. Commod.	-2.34	1.54	-6.50
USO	Oil	-10.18	-13.52	-29.06
UNG	Nat. Gas	-11.55	-56.03	-77.79
GLD	Gold	-1.34	7.47	6.53
SLV	Silver	-6.04	-1.86	8.92
SHY	1-3 Yr Treasuries	-0.38	1.48	-0.05
IEF	7-10 Yr Treasuries	-1.44	3.26	-2.90
TLT	20+ Yr Treasuries	-3.01	4.50	-9.20
AGG	Aggregate Bond	-1.14	2.64	-2.18
BND	Total Bond Market	-1.16	2.65	-2.17
TIP	T.I.P.S.	-1.19	2.40	-4.29

US-listed exchange-traded products as proxies. We also include YTD and YoY total returns.

May was a month of divergence where Tech/AI soared, and the rest of the market fell. Notably, the Nasdaq 100 ETF (QQQ) gained 7.88% in May while the Dow Jones Dividend ETF (DVY) fell 7.7%. That's a 15 percentage-point spread!

At the sector level, it was a similar story. While the Tech sector (XLK) rose 8.9%, sectors like Energy (XLE), Consumer Staples (XLP), Materials (XLB), and Utilities (XLU) fell more than 5%. In total, 8 of 11 sectors were in the red for the month.

Outside the US, we saw pullbacks in most areas of the world other than Brazil, India, and Japan. China, Hong Kong, France, Canada, Italy, Spain, and the UK all fell more than 5%.

All of the commodity-related ETFs/ETNs were in the red for May, with oil (USO) and natural gas (UNG) falling the most at more than 10% each.

Finally, fixed-income ETFs also fell in May as interest rates bounced back. The aggregate bond market ETF (AGG) was down 1.14% in May, leaving it up just 2.6% YTD and down 2.2% year-over-year.

With the Debt Ceiling Deal having passed both the House, and the Senate, political dysfunction is off the front burner, for now. As for the Fed, from the front page of Thursday's WSJ:

Fed Sets Up June Pause, Hike Later

BY NICK TIMIRAOS

Federal Reserve officials signaled they are increasingly likely to hold interest rates steady at their June meeting before preparing to raise them again later this summer.

Investors in recent days had expected the Fed would lift rates at its meeting June 13-14, prompting two policy makers Wednesday to publicly underscore their preference to forgo a hike, barring a sizzling jobs report on Friday.

The strategy would give officials more time to study the economic effects of the Fed's 10 consecutive prior rate rises, as well as recent banking stress, by spacing out further increases. They have lifted rates by 5 percentage points since March 2022 to combat high inflation, most recently on May 3 to a range between 5% and 5.25%, a 16-year high.

"A decision to hold our policy rate constant at a coming meeting should not be interpreted to mean that we have reached the peak rate for this cycle," Fed governor Philip Jefferson said in a speech Wednesday in Washington. "Indeed, skipping a rate hike at a coming meeting would allow the committee to see more data before making decisions about the extent of additional policy firming."

Jefferson's comments were notable because President Biden nominated him in May to serve as the Fed's vice chair, a position that typically aids the Fed chair in shaping the policy agenda ahead of the central bank's rate-setting Federal Open Market Committee meeting.

Philadelphia Fed President Patrick Harker, a voting member of the FOMC this year, also endorsed holding rates steady in June. “I think we can take a bit of a skip for a meeting and, frankly, if we’re going to go into a period where we need to do more tightening, we can do that every other meeting,” he said Wednesday at a conference in Philadelphia.

Fed Chair Jerome Powell laid the foundation for skipping a rate increase during a public appearance on May 19.

“We’ve come a long way in policy tightening, and the stance of policy is restrictive, and we face uncertainty about the lagged effects of our tightening so far and about the extent of credit tightening from recent banking stresses,” he said. “Having come this far, we can afford to look at the data and the evolving outlook to make careful assessments.” ...

Investors in interest-rate futures markets began to expect a June rate increase late last week because of comments from more officials who favored one and from data pointing to stronger consumer spending in April. Investors saw a roughly 35% chance of a June rate increase after Jefferson and Harker spoke Wednesday, down from 70% right before, according to CME Group.

“Markets may have put too much weight on the number of people as opposed to what we’ve heard from the leadership and especially from Powell,” said Jan Hatzius, chief economist at Goldman Sachs.

“What we heard from Powell [on May 19] seemed to set the stage for a pause.”

Wednesday’s comments come just days before the start this weekend of the Fed’s traditional premeeting quiet period, when policy makers refrain from discussing their economic and policy outlook.

The remarks hinted at potential Fed discomfort with how investors had begun to anticipate a rate rise in June. Forgoing an increase that had become widely anticipated by investors would risk sending a confusing signal about the Fed’s resolve to bring down inflation.

“If a rate increase is priced at 60% or 70% on the day of the meeting, then it would be a bit of a narrative challenge” to not raise rates, said Hatzius. “That’s probably not a comfortable place to be.”

The recent mixed messages highlight potentially difficult deliberations ahead around tactics on a policy-making committee that has shown little public disagreement over the past year.

In early March, a surprisingly resilient economy led Powell and other officials to signal they would likely need to lift rates to at least 5.5% to durably bring inflation back to their 2% target. But a run on deposits at Silicon Valley Bank on March 10, which toppled the bank and two other midsize lenders, scrambled that calculus. ...

“The presumption should be that this is going to have a tightening effect on the economy, and we definitely should take that into account for setting the monetary policy,” said Chicago Fed President Austan Goolsbee, a voting member, in a May 19 interview.

Banking stresses have calmed in recent weeks, and economic activity hasn’t shown much evidence so far of any fallout from tighter lending standards. ...

On Wednesday, Harker said he saw evidence that labor market imbalances were easing and inflation was moving in the right direction. “We cannot try to slam on the brakes really hard in my view,” he said. “At some point, we’ve got to sit for a while.”

In projections released after the Fed's meeting in mid-March, most anticipated the Fed could hold rates steady once they reached today's level, but a significant minority anticipated rates would need to rise higher.

Officials are expected to release new projections at their June meeting. The evolving strategy around skipping a June hike suggests more officials could see a July increase as appropriate, which would move up the median projection of the peak rate to around 5.4%. That would be a 22-year high.

From yesterday's Global Investment Strategy:

The AI Craze: Lessons From The Dotcom Boom

AI Mania Powers the S&P Higher

The release of ChatGPT has set off an investment frenzy among AI-linked stocks. We estimate that all of the gains in the S&P 500 this year can be attributed to AI (**Chart 1**).

What can history tell us about the AI mania? Looking back at the late-90s dotcom boom, four lessons stand out:

Lesson #1: Productivity Rose Before Profits Did

US productivity growth accelerated in the mid-1990s and then fell back to more pedestrian levels by the mid-2000s (**Chart 2**). During that decade of elevated productivity growth, internet stocks first surged and then crashed.

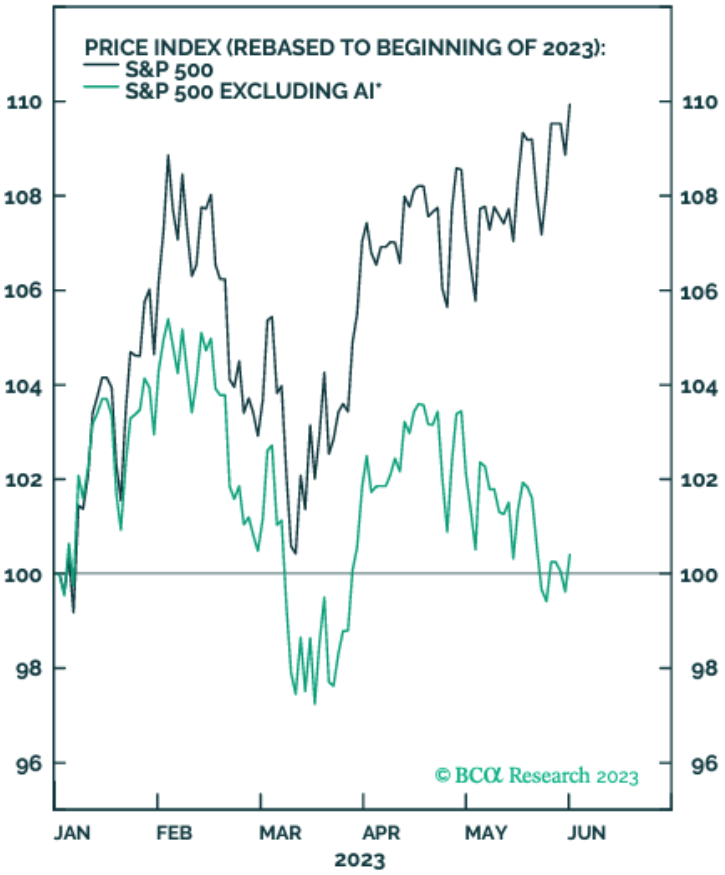
The main reason why so many internet companies ultimately flopped is that they failed to turn a profit. The lack of profitability first became apparent among software companies. In the first eight months of 2000, the S&P 500 software and services index fell by 23% (**Chart 3**). Hardware companies managed to rise by 26% over this period, on the belief that they could maintain sales growth. However, they too eventually crashed as demand for IT equipment evaporated.

So far, there is little evidence in the macro data that AI has lifted productivity growth. We expect that to change, however. ... progress in AI is following an exponential curve.

This means that productivity-enhancing innovations may come much faster than in previous technological revolutions. Unfortunately for investors, if the

CHART 1

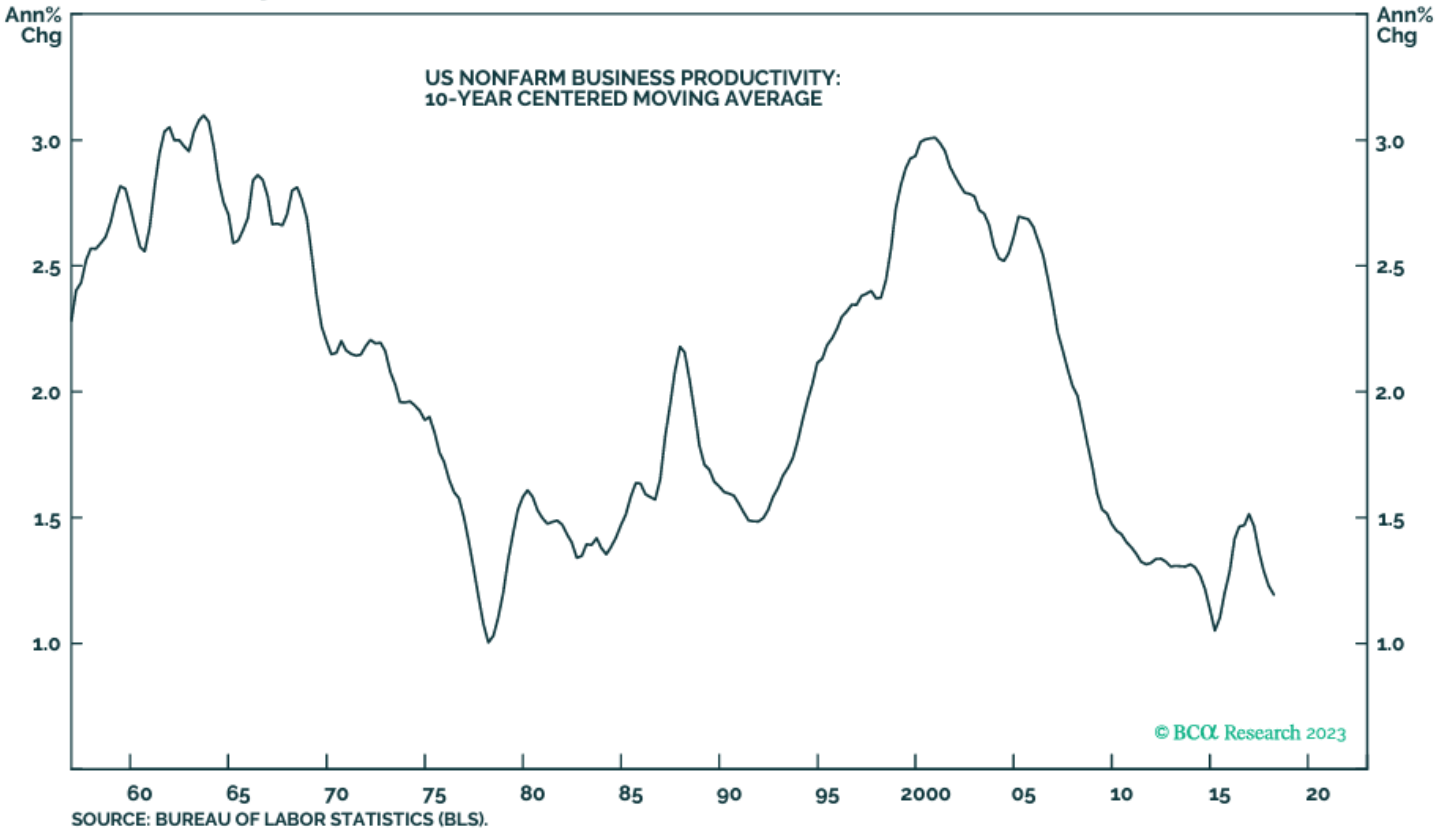
AI Stocks Have Lifted The S&P 500 This Year



* EXCLUDES THE FOLLOWING STOCK PRICES: NVIDIA CORP, ADVANCED MICRO DEVICE, MICRON TECHNOLOGY, MICROSOFT CORP, ORACLE CORP, SALESFORCE.COM, ACCENTURE CLASS A, ADOBE SYSTEMS INC, IBM, SERVICENOW, ARISTA NETWORKS, DEERE & CO, TESLAMOTORS, AMAZON.COM, BOOKING HOLDINGS, EBAY, ETSY, ALPHABET 'A' (GOOGLE), ALPHABET 'C' (GOOGLE), META PLATFORMS A, ACTIVISION BLIZZARD, AND ELECTRONIC ARTS.

CHART 2

US Productivity Growth Accelerated In The Second Half Of The 1990s



SOURCE: BUREAU OF LABOR STATISTICS (BLS).

dotcom experience is any guide, broad-based AI-driven earnings growth may be slower to arrive.

Lesson #2: Rising Monopoly Power Drove Tech Earnings

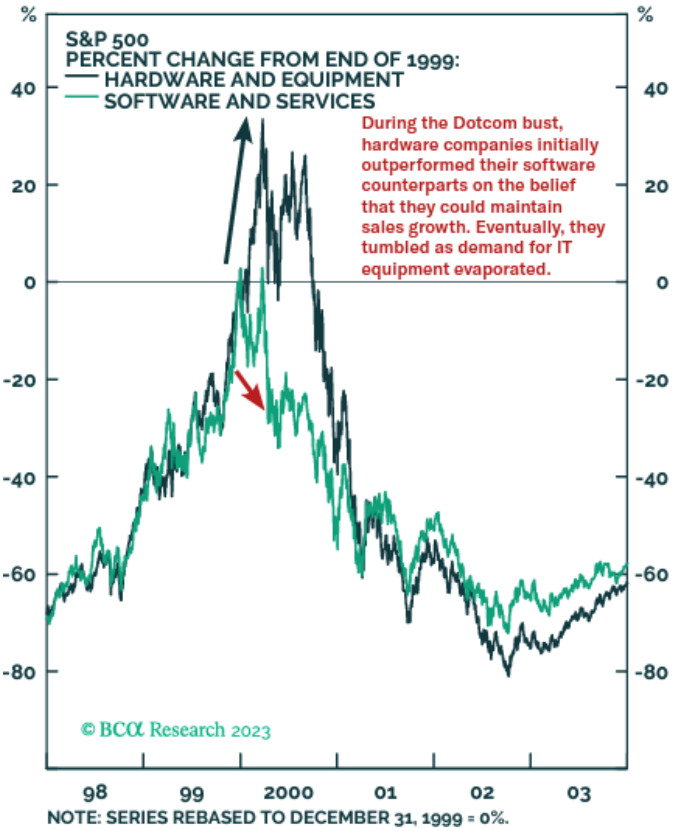
While it took a while for many of today's tech titans to figure out how to monetize the Internet, eventually they succeeded. However, to a much larger extent than they would care to admit, their profits came from harnessing monopoly power.

Many of today's tech leaders benefit from network effects: The more people who use a particular tech platform, the more attractive it is for others to use it. Facebook and Instagram are classic examples.

Tech companies also benefit significantly from scale economies. Once a piece of software has been written, creating additional copies costs almost nothing. In the hardware realm, the marginal cost of producing an additional chip is tiny compared to the fixed cost of

CHART 3

Software Stocks Tumbled Before Hardware During The Dotcom Bust



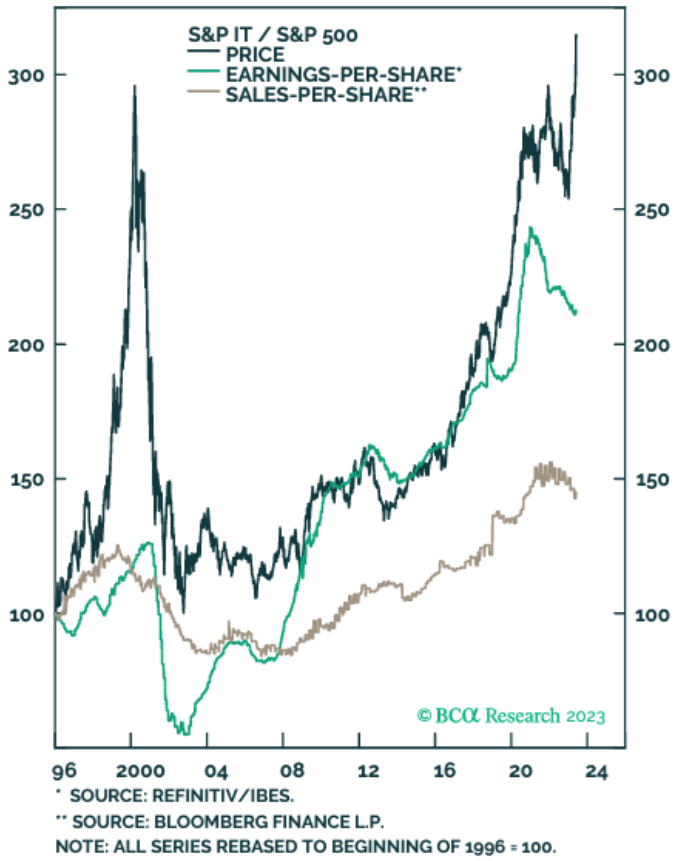
NOTE: SERIES REBASED TO DECEMBER 31, 1999 = 0%.

designing it. All of this creates a winner-take-all environment where success begets further success.

Since 1996, sales-per-share in the IT sector have increased by 45% relative to the S&P 500, but earnings-per-share have increased by 112% and price-per-share has increased by 216% (**Chart 4**). Thus, around 80% of the outperformance of IT stocks can be attributed to rising profit margins among a select group of companies, and the higher PE multiples that investors assigned to them.

CHART 4

The Outperformance Of The IT Sector Has Been Largely Driven By Profit Margin And Valuation Expansion



* SOURCE: REFINITIV/IBES.
** SOURCE: BLOOMBERG FINANCE L.P.
NOTE: ALL SERIES REBASED TO BEGINNING OF 1996 = 100.

Will AI produce similar monopoly power? That is unclear. There are large barriers to entry in the AI business. Building, training, and running large language models is all very expensive. By one estimate, Google would incur an additional $30 billion a year in computing costs, and another $100 billion in capital spending, if it were to replace its current search system with a large language model.

Will companies such as Google be able to recoup the cost of rolling out a new generation of AI models? Again, that is unclear.

One of the ironies of the search business is that it is profitable because it works well but not too well. If you ask a search engine how to get from New York to Houston, it will supply many links from companies who have paid to have their websites displayed on the search page.

But what if an AI chatbot worked so well that it could tell you exactly which airline offered the lowest-price ticket on the date and time you want to travel? If the chatbot responded objectively, there would be no incentive for the airline offering the cheapest ticket to advertise, since it would be the one that the chatbot picked anyway. Airlines that offered more expensive tickets would have no incentive to advertise either, since the chatbot would not recommend them.

Of course, the chatbot could eschew objectivity and just recommend the airline that paid to advertise. But this would be very dangerous. Unlike, say, Instagram or Twitter, where users have a strong incentive to stay put as long as others stay put, the value of a chatbot does not depend that much on how many other people use it. An overly biased AI platform could see its users flee to a more scrupulous one.

Lesson #3: Bond Yields Could Increase Before Declining

After cutting rates three times over a seven-week period in late 1998 following the collapse of Long-Term Capital Management, the Fed proceeded to hike rates by 175 basis points, ultimately taking the Fed funds rate to 6.5% in May 2000.

The 10-year Treasury yield peaked at 6.79% in January of that year, bringing the equity risk premium (conventionally defined as the forward earnings yield minus the real bond yield) to a measly 0.2%. For comparison purposes, the equity risk premium stands at 4.2% today.

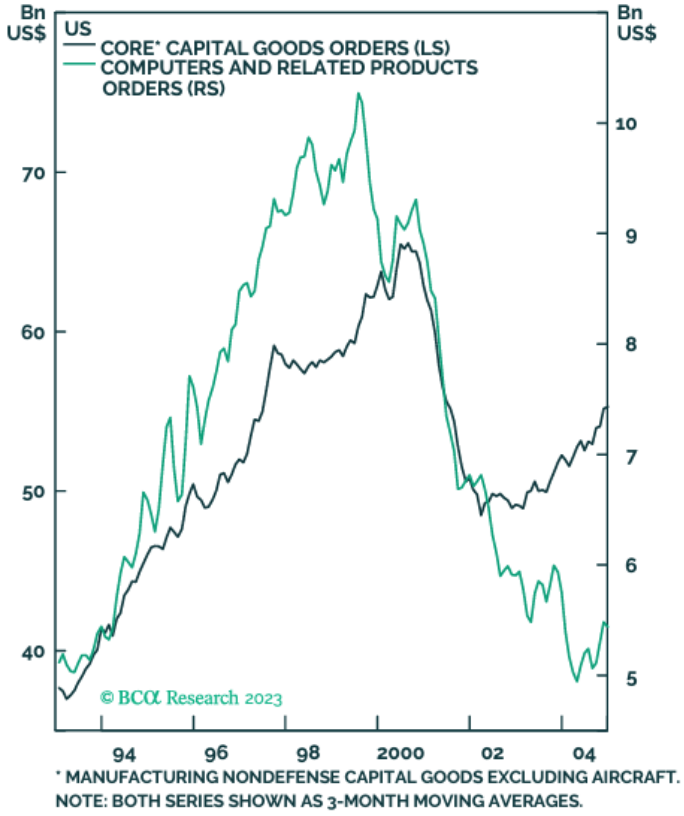
What prompted the Fed to raise rates so much over the course of 1999 and the first half of 2000? The answer is that the dotcom boom led to a massive surge in capital spending. Core capital goods orders rose by 40% during the second half of the 90s. Computer-related orders more than doubled (**Chart 6**).

The combination of rising equity wealth and the capex boom produced a very tight labor market. The jobs-workers gap – the difference between labor demand and labor supply – turned positive, something that had not happened since the 1970s.

As the capex boom turned to bust, the Fed began to cut rates. The downward pressure on bond yields was amplified by the deflationary impact of excess spare capacity in the telecommunications sector.

CHART 6

Capex Soared During The Late 1990s



* MANUFACTURING NONDEFENSE CAPITAL GOODS EXCLUDING AIRCRAFT.
NOTE: BOTH SERIES SHOWN AS 3-MONTH MOVING AVERAGES.

So far, AI has not had a noticeable impact on business capex. Capex intentions have weakened sharply, reflecting the downdraft in the global manufacturing sector. That said, the combination of higher stock prices and pent-up demand could give a boost to capital spending. Insight Partners projects that global revenue for AI-dedicated processors will grow at an annualized rate of 35% from 2019 to 2024, reaching $83 billion by 2027.

As in the late 1990s, the AI craze could temporarily lift bond yields by pushing out the onset of the next recession. Looking further out, however, AI's impact is likely to be deflationary.

Conceptually, one can think of every job as consisting of a certain set of tasks that may or may not be susceptible to automation. The deflationary impact of AI will be highest in sectors of the economy where job tasks are easily automated and where lower prices will not lead to much higher demand.

Consider a historic example: farming. In 1900, 40% of the US workforce was employed in agriculture. Today, it is only 2%. What happened? The answer is that most farming tasks were automated. And while higher agricultural productivity did lead to lower food prices, lower prices did not lead to an exponential increase in food consumption.

Not all industries followed the example of farming. Productivity in the automobile sector greatly benefited from Henry Ford's introduction of the assembly line. However, the resulting decline in automobile prices raised demand so much that the number of auto workers increased.

While it is difficult to gauge at this point, our guess is that AI will more closely resemble the automation of farming than automobile production. If so, aggregate demand may struggle to keep up with aggregate supply, leading to lower inflation.

Lesson #4: Commodities Had the Last Laugh

During the late 1990s, both the investment community and financial media liked to stress the distinction between "new economy" and "old economy" stocks. No sector was regarded as more old economy than the natural resources sector. Capital flowed freely into every fuzzy dotcom startup while almost completely eschewing commodities.

For a while, that did not affect commodity prices. However, as emerging markets began to recover from half a decade of crises and China's economy began to grow rapidly, the prior lack of investment in the natural resources sector became apparent (**Chart 10**).

While the commodity sector has not been as neglected in recent years as it was during the late 1990s, it still suffers from underinvestment.

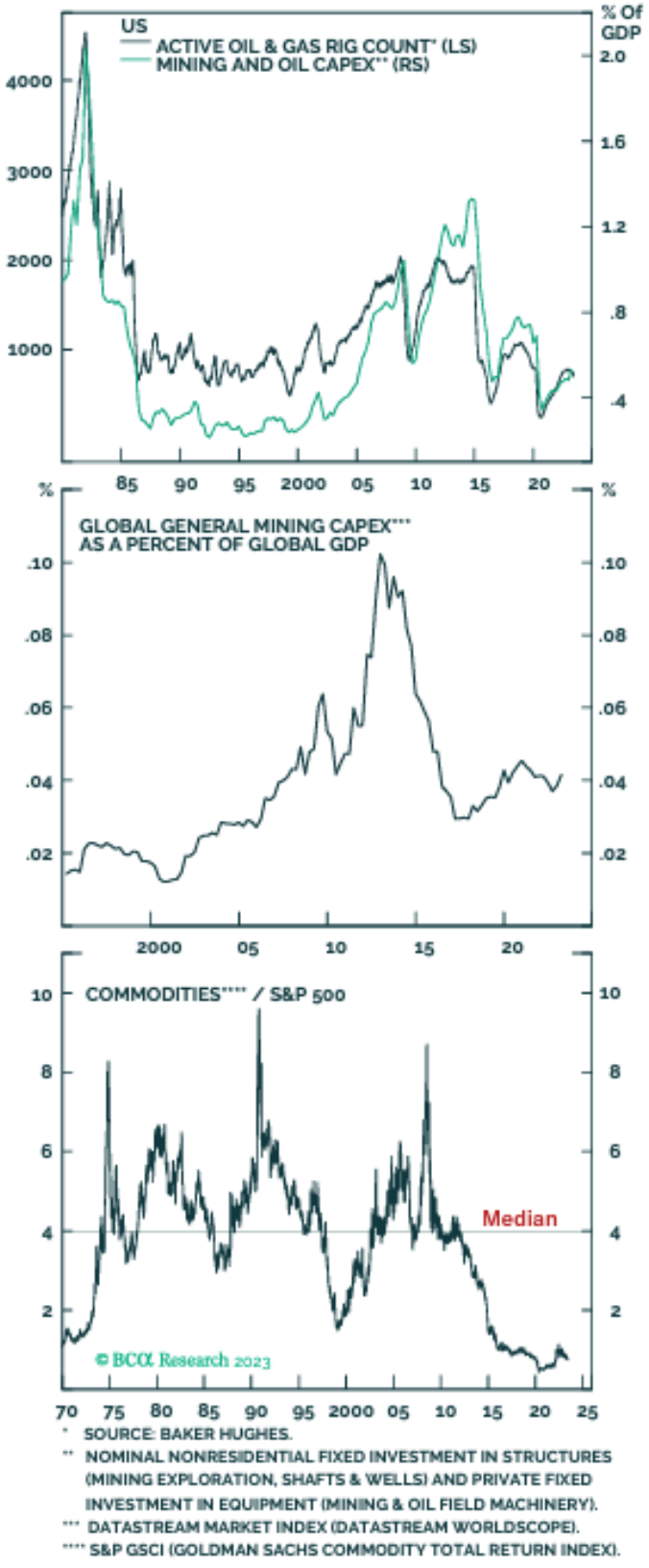
If the global economy experiences a downturn in 2024, as we expect, commodity prices may still fall further. However, as occurred in the early 2000s, commodity prices could spring back once growth recovers.

Perhaps somewhat surprisingly, the AI revolution could help propel commodity prices higher over a structural horizon. While AI will assist in the development of less resource-intensive production technologies, it will also lift GDP and real incomes. Richer consumers will want to buy more stuff, even if the resources necessary to produce one unit of real GDP goes down.

Standard economic theory teaches us that if you increase one factor of production, the other factors become more valuable. To the extent that AI augments the amount of labor and capital in the economy by increasing the number of digital workers and robots, this could raise the prices of fixed factors such as land and natural resources.

CHART 10

A Lengthy Period Of Underinvestment In The Commodity Sector During The 1990s Paved The Way For A Rebound In Prices During The 2000s



* SOURCE: BAKER HUGHES.
** NOMINAL NONRESIDENTIAL FIXED INVESTMENT IN STRUCTURES (MINING EXPLORATION, SHAFTS & WELLS) AND PRIVATE FIXED INVESTMENT IN EQUIPMENT (MINING & OIL FIELD MACHINERY).
*** DATASTREAM MARKET INDEX (DATASTREAM WORLDSCOPE).
**** S&P GSCI (GOLDMAN SACHS COMMODITY TOTAL RETURN INDEX).

Metals will gain more than oil. Whereas metals will benefit from the transition to green energy, oil will be hurt by it. Conceptually, there is no shortage of energy in the world .... The problem is that we do not know how to

harness this energy in a safe and cost-effective manner. AI could assist with that. Creating more land, however, is something that AI may not be able to do.

Follow-ups

From the front page of Wednesday's WSJ:

Insiders Made Billions in Profit Selling Stock Before SPAC Bust

*By **Tom McGinty, Shane Shifflett** and **Amrith Ramkumar***

The SPAC boom cost investors billions of dollars. Insiders in the companies that went public were on the other side of the trade.

Executives and early investors in companies that went public via special-purpose acquisition companies sold shares worth $22 billion through well-timed trades, profiting before share prices collapsed.

Some of the biggest winners were Detroit Pistons owner Tom Gores' investment firm Platinum Equity, British billionaire Richard Branson and convicted Nikola founder Trevor Milton. They were among many insiders who got shares on the cheap and sold them as they rose in value, according to a Wall Street Journal analysis of insider-trading disclosures associated with more than 200 companies that did SPAC deals.

Companies that went public this way have lost more than $100 billion in market value. At least 12 have filed for bankruptcy and more than 100 are running low on cash, battered by higher interest rates and rising costs.

Many executives claimed during the boom that SPAC mergers were a better way for companies to go public than traditional initial public offerings. “It’s easy to understand why executives at the companies went with this option,” said New York University Law School professor Michael Ohlrogge, who studies SPACs. “It wasn’t because it was a better financial technology—it was because it was just better for them.”

The Journal analyzed more than 460 companies that did SPAC deals and identified 232 with insider sales based on a review of Securities and Exchange Commission filings submitted through May 18. The analysis focused on disclosures made by investors who own more than 10% of a company and corporate officers and directors.

Of those with sales, insiders at 12 companies cumulatively sold shares worth at least $500 million. Insiders at about 80% of the 232 companies sold shares valued at less than $100 million, the Journal’s analysis shows. On average, insiders sold about $22 million of shares each.

One of the biggest paydays went to Platinum Equity. The private-equity firm sold shares of four companies that it had invested in before they went public via SPAC deals, generating some $2.3 billion in proceeds. Platinum Equity and Gores declined to comment.

Platinum’s biggest haul came from selling the stock of Vertiv Holdings, a vendor of data-center infrastructure that was owned by Platinum before going public in 2020 through a $5.3 billion deal with a SPAC backed by Goldman Sachs.

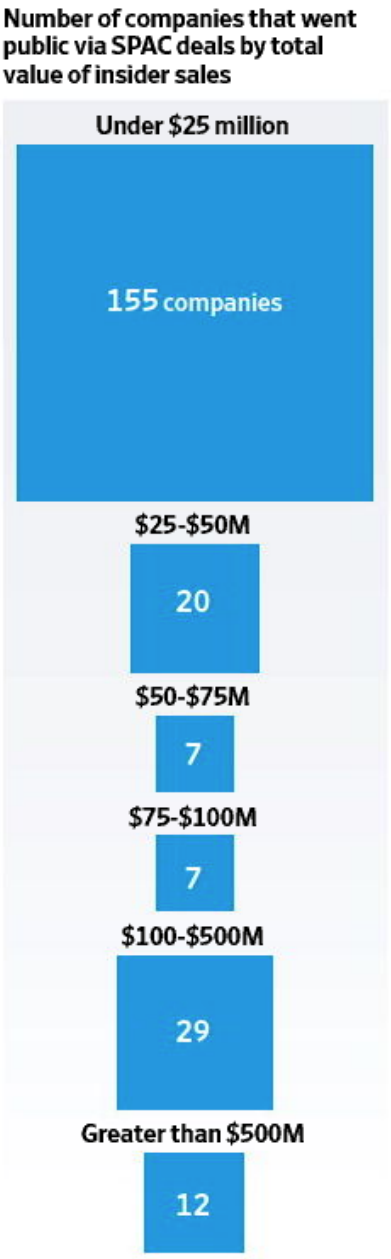
As Platinum was selling stock in 2021 for between $20 and $25 a share, five pension funds were buying. In February 2022, Vertiv’s share price fell 37% on a single day, to $12.38, after the company announced

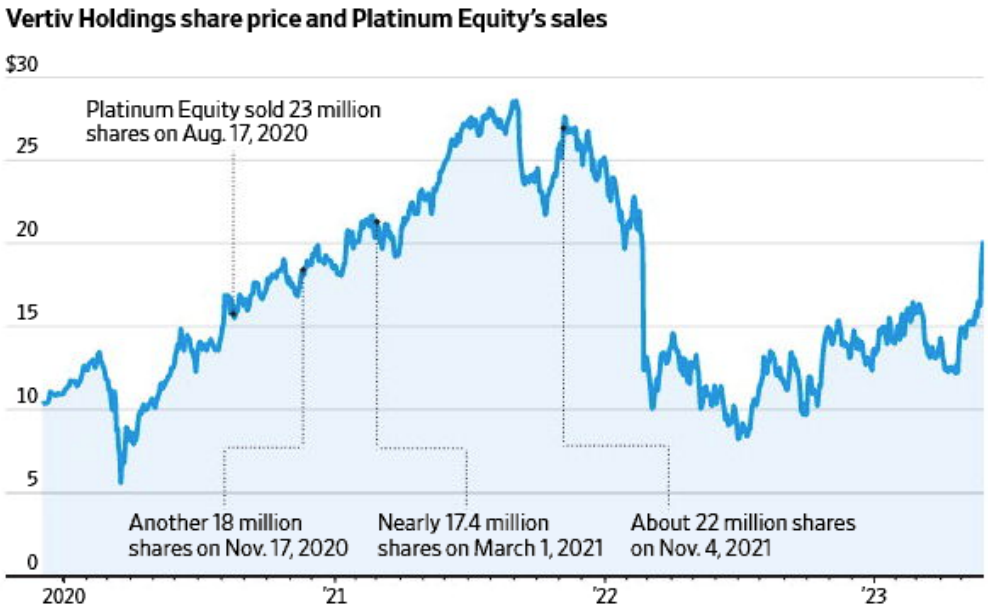
disappointing financial results that one Deutsche Bank analyst described as “shockingly bad.” The pension funds collectively lost nearly $2.4 million.

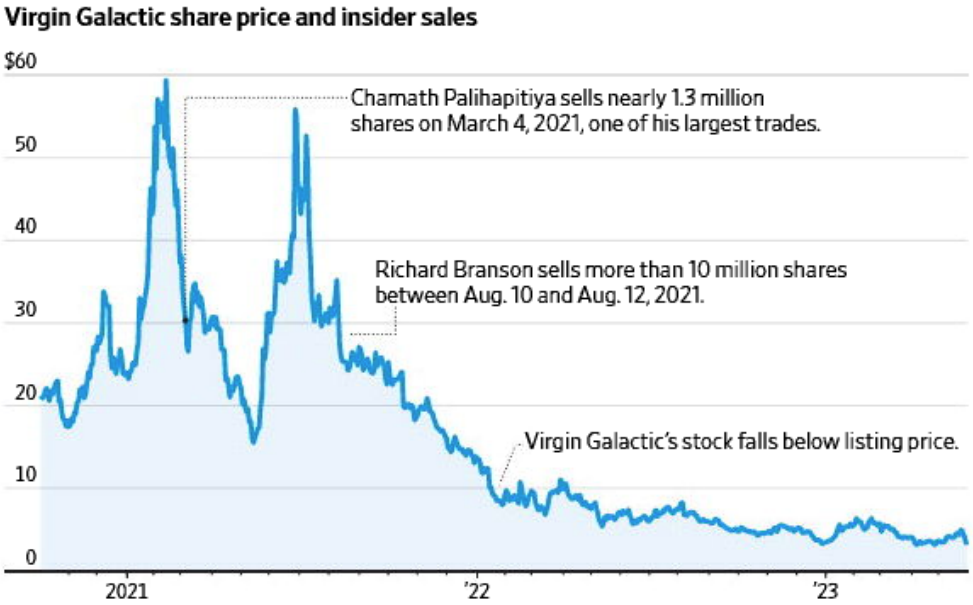
The pensions filed a lawsuit last year alleging Vertiv’s management issued misleading earnings guidance. Most of the pensions’ losses were realized by the Louisiana Sheriffs’ Pension & Relief Fund, which spent more than $2.6 million on shares and eventually sold about half of those holdings at a loss, court records show.

“We strongly disagree with the premise of the suit and have meritorious defenses,” a Vertiv spokeswoman wrote via email. The Louisiana pension fund and others declined to comment.

Vertiv shares now trade at around $20, down from a record high of more than $28 in 2021 but still above the SPAC’s original $10 listing price. That isn’t the case for many other companies that saw sizable insider selling, including space-tourism company Virgin Galactic.







Sources: Wall Street Journal analysis of regulatory filings (stocks sold); FactSet, Wall Street Journal analysis of regulatory filings (share price)

Branson, the company's founder, sold nearly 75% of his shares for more than $1.4 billion before launch delays and high costs sent the stock down more than 90% from its all-time high and about 60% below the SPAC's listing price. The proceeds of Branson's sales were used to shore up his Virgin Group, whose travel and leisure businesses were battered by the pandemic, a spokeswoman said. Branson is still Virgin Galactic's largest shareholder.

Venture capitalist Chamath Palihapitiya, head of the SPAC that took Virgin Galactic public, made $310 million from selling shares of the company, filings show. He has also spent $144 million to purchase shares and exercise options.

The former Facebook executive became known as the "SPAC King" for the hundreds of millions of dollars he made during the boom across deals like Virgin Galactic and personal-finance app SoFi Technologies. A spokesman for Palihapitiya declined to comment. SPAC executives receive ultra-cheap shares for taking companies public that increase their returns.

Also called a blank-check company, a SPAC is a shell firm that lists publicly with the sole intent of merging with a private company to take it public. After regulators approve the deal, the company going public replaces the SPAC in the stock market. Insiders made more than $200 million at many other startups that merged with SPACs, including fuel-cell truck upstart Nikola, self-driving car technology maker Luminar Technologies and online gaming company Skillz.

Much of Nikola's roughly $450 million in share sales went to founder Trevor Milton, who resigned from the company amid allegations of fraud in September 2020. The next year, Milton sold about $374 million of stock for a weighted-average price of about $11. He was convicted of securities fraud last October. Shares have since dropped below $1. A Nikola spokeswoman declined to comment.

Luminar is led by 28-year-old chief executive Austin Russell, who recently led a bid to acquire business-media outlet Forbes. It went public through a SPAC backed by private-equity billionaire Alec Gores, the brother of Platinum Equity's Tom Gores.

Russell took in $220 million selling some of his Luminar shares in July 2021 at a price of $21 a share, filings show. The sale was to institutional investors in a private placement, a spokeswoman said. On Friday, Luminar shares closed at $6.68. Russell also paid $31 million to buy shares in 2022 and 2023, at an average cost of $6.81 per share. Russell's compensation is tied to the stock's performance.

Two of Alec Gores's SPACs took companies owned by his brother's Platinum Equity public, and the Gores brothers recused themselves from negotiations. Insiders have made about $700 million in sales from one of those companies, Verra Mobility, a technology provider for fleet management. Tom Gores's Platinum Equity accounted for most of those sales. Verra is another rare case where the stock has risen after its SPAC deal.

"These company owners were aware the valuation the SPAC was giving them was exceptionally generous," Ohlrogge said. "It's a no-brainer to take advantage of that."

Positions

PDCE - On 5/22 it was announced that Chevron would acquire PDCE for 72 a share. On 5/23 we sold for the 1 client holding @ 72.015.

RJF - Entered 5 client portfolios when it bought TSC. On 4/27 RJF fell 3.1% on 3 times normal volume on a Negative Earnings Surprise of 10.2%. Subsequently, a majority of analysts lowered their Earnings Estimates for the next 2 quarters, while 6 of them lowered their Target Price, with 3 making no change. On 5/18 we sold all positions @ 87.61.